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C O N F I D E N T I A L PRETORIA 000425

SIPDIS

DEPT FOR AF/EPS AND AF/S/TCRAIG AND KGAITHER
COMMERCE FOR 4510/ITA/IEP/ANEWSA/OA/JDIEMOND
TREASURY FOR BRESNICK, LSTURM, AND AJEWELL
DEPT PASS USTR FOR PCOLEMAN, WJACKSON AND CHAMILTION

E.O. 12958: DECL: 01/30/2010

TAGS: [EINV](#) [ETRD](#) [ECIN](#) [ECON](#) [SE](#) [FEFIN](#)

SUBJECT: DTI OFFICIAL DISCUSSES MNC EQUITY OWNERSHIP STATEMENT

Classified By: Minister Counselor Jeff Hartley. Reason 1.4 (b,d).

¶11. (C) Department of Trade and Industry (DTI) Director of Black Economic Empowerment Jeffrey Ndumo explained to Econoff in a January 26 meeting that an imminent Statement on Ownership for Multinationals would not provide a blanket exemption to black economic empowerment equity requirements for foreign companies operating in South Africa. However, he said that exemption mechanisms such as that developed by the information communications and technology (ICT) industry would be acceptable.

¶12. (C) He said that while the DTI does not strongly favor equity equivalents - where companies could overscore in one area to compensate for deficiencies in another - the Statement would elaborate on the appropriate use of such a mechanism and what might qualify as acceptable equity equivalents.

¶12. (C) He said that the Statement would likely abolish the practice of differentiating between direct and indirect ownership as they have been distinguished in the Financial Services Charter. This would require that the Financial Services industry redraft that ownership section in its Charter, resulting in greater pressure on foreign banks to satisfy this scorecard component through the Financial Services equity equivalent of financing black economic empowerment (BEE) transactions.

¶13. (C) Ndumo praised the work of Dali Mpofu, Chairman of the information communications and technology (ICT) Charter Working Group. He said that the DTI had learned a great deal from Mpofu's strategy, particularly in the way he engaged with various stakeholders (including multinational companies). Local Managing Directors of U.S. ICT companies operating in South Africa, however, have criticized Mpofu for the manner in which he restricted their interaction to the issue of equity ownership while avoiding engagement on other topics.

FRAZER